2007
Annual Report

Northern Revenue Sharing
Trust Account

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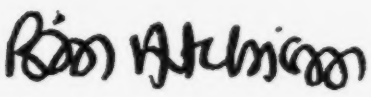
Letters of Transmittal

The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

Your Honour:

It is our privilege to submit to you the Annual Report of the Northern Revenue Sharing Trust Account for the fiscal year ending December 31, 2007.

Respectfully submitted,



Bill Hutchinson
Minister of Municipal Affairs

The Honourable Bill Hutchinson
Minister of Municipal Affairs

Dear Minister:

I have the honour of submitting the Annual Report of the Northern Revenue Sharing Trust Account for the fiscal year ending December 31, 2007.

Respectfully submitted,

Harley Olsen
Deputy Minister, Municipal Affairs

Executive Summary

The Northern Revenue Sharing Trust Account (NRSTA) is a special account established under *The Northern Municipalities Act*. The purpose of the account is to assist northern municipalities with operating and capital needs, as well as to assist with funding for the operation of 11 northern settlements and 14 recreation subdivisions in the Northern Saskatchewan Administration District (NSAD). Financial support is provided through conditional and unconditional grants.

For 2007, the NRSTA completed the year with a surplus of $1.7 million. Total revenues were $21.1 million and expenses were $19.4 million. At the end of the year, the NRSTA has net financial assets of $21.0 million.

The NRSTA assisted northern communities in providing quality services to their residents, with the following programs:

- The provincial Northern Revenue Sharing Grant (NRSG) transfer to the NRSTA was increased by $1.623 million to $9.551 million. In addition, the NRSTA used part of the savings from the cancellation of the administration fees to increase its contribution to the NRSG by $100,000. The combined increases were used to address disparities in NRSG payments, by increasing the allocation of funds to communities that were receiving less than average per capita amounts. In addition, the NRSTA started a process to identify and evaluate possible alternatives for a new funding formula that will provide a long-term solution to inequities in distribution of the NRSG.

- Phase 1 of the Northern Water and Sewer Program entered its final stages with the last two projects tendered and awarded. Phase 2 was commenced and a total of $5.3 million was provided on 21 projects. Major projects commenced in 2007 were a new sewage lagoon for La Loche and a major renovation to the Ile a la Crosse water treatment plant to rectify both capacity and water quality problems. The design work for a new water treatment plant in Sandy Bay was completed and the project was tendered with construction starting in 2008. A regional agreement was negotiated among La Ronge, Air Ronge and the Lac La Ronge Indian Band to cost share an upgrading to the La Ronge water treatment facility and the distribution system.

- The Emergency Water and Sewer Program funded $424,000 on 10 projects in nine communities, helping ensure continued supply of safe drinking water to the residents.

- The Northern Capital Grants Program provided $1.2 million in capital funding to acquire, construct or upgrade municipal facilities, furniture, fixtures, and equipment. During the year, the program funded 46 projects. Assistance was provided to major renovations or purchase, including municipal buildings at Green Lake, Sled Lake and Garson Lake, arena development for Pinehouse, fire equipment in Air Ronge and Sandy Bay, heavy equipment purchases for Creighton, La Ronge, Cumberland House, Ile a la Crosse, and water treatment software for La Ronge.

- The Northern Residential Subdivision Development Program increased the revolving fund to $4.0 million from $2.0 million in anticipation of increased demand although no new projects were started during the year. Communities that have discussed interest in the program are La Loche, Sandy Bay, La Ronge, Stony Rapids, as well as some of the settlements. A feasibility study for La Loche was started during the year. The NRSTA held discussions with Sask Housing to jointly address the housing need in Sandy Bay and similar situations.

Performance Highlights for 2007

- The provincial administration fees of $630,000 on the NRSTA were eliminated. The savings have been targeted towards future capacity building. New North's core funding was increased by $100,000 to fund an additional position and address inflationary pressures. Another $100,000 was allocated for funding towards the development of a new NRSG formula with the rest targeted towards the new northern municipal administrator program being developed in partnership with Northlands College.

- The Northern Revenue Sharing transfer included an additional $1.0 million conditional transfer to be used as the municipal matching component for other federal/provincial infrastructure programs.

- Discussions were commenced to review and update *The Northern Municipalities Act.* A committee of ministry personnel and northern leaders was established to review and prepare recommendations for change.

- An Infrastructure Report was compiled to identify the northern infrastructure deficit and to aid in infrastructure program design and decision-making. The report was developed by the Ministry of Municipal Affairs with input from northern communities.

Who Are We

Mandate

The mandate of the Northern Revenue Sharing Trust Account (NRSTA) is to support the growth and development of northern communities through the distribution of specified northern revenues to those communities and to administer the Northern Saskatchewan Administration District (NSAD) outside the municipal boundaries.

Vision and Goals

Vision

- Enhance the quality of life of Northern Saskatchewan residents

Goal

- Assisting northern communities in providing quality municipal services to their residents

Objectives

Objective 1: Manage the Northern Revenue Sharing Trust Account in a sustainable manner

Objective 2: Ensure the Northern Revenue Sharing Trust Account is fully accountable, transparent and in compliance with legislative authorities

Objective 3: Provide funding to assist northern municipal governments in meeting infrastructure, capital, administrative and service needs

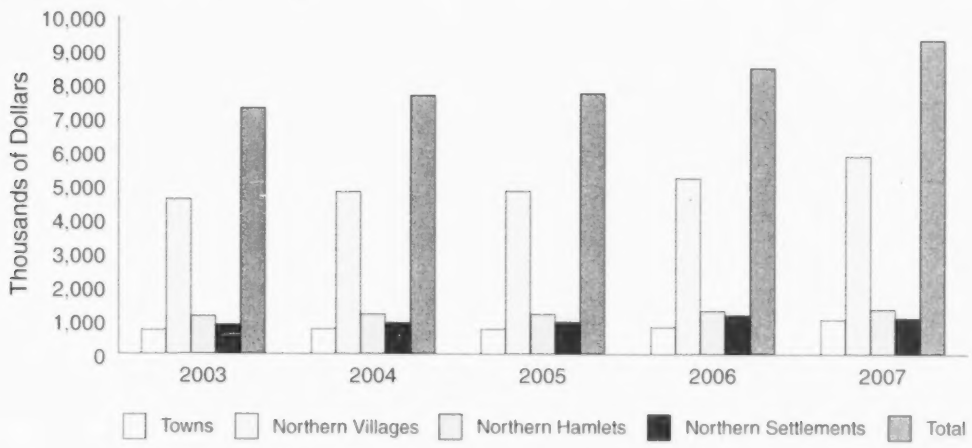
Key Programs

Northern Revenue Sharing

The Northern Revenue Sharing Grants Program provides unconditional funding to northern municipalities and settlements to assist in meeting their annual administrative and operational needs. In 2007, the expended amount increased by $918,000 to $8.4 million. The actual distribution to the 35 northern municipalities and settlements was $9.3 million. The difference is due to consolidation elimination and fiscal year-end adjustments.

In addition, the NRSTA received $1.0 million from the province, to be used towards infrastructure projects and $822,000 for water and sewer projects.

Northern Revenue Sharing



Northern Water and Sewer

The program assists northern municipalities and settlements with upgrading or construction of water and sewer facilities. It is funded by the NRSTA's net financial assets, the Canada-Saskatchewan Infrastructure Program and the Municipal Rural Infrastructure Fund.

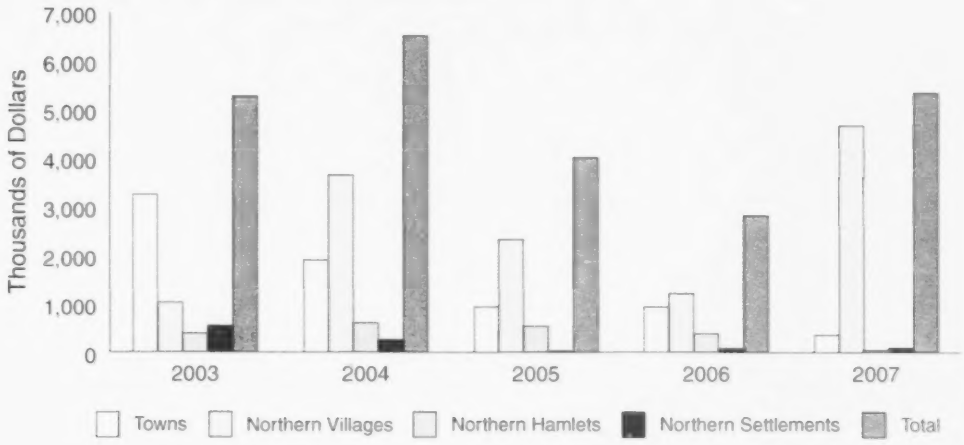
In 2007, the program funded 21 projects, worth $5.3 million in 16 communities.

Emergency Water and Sewer

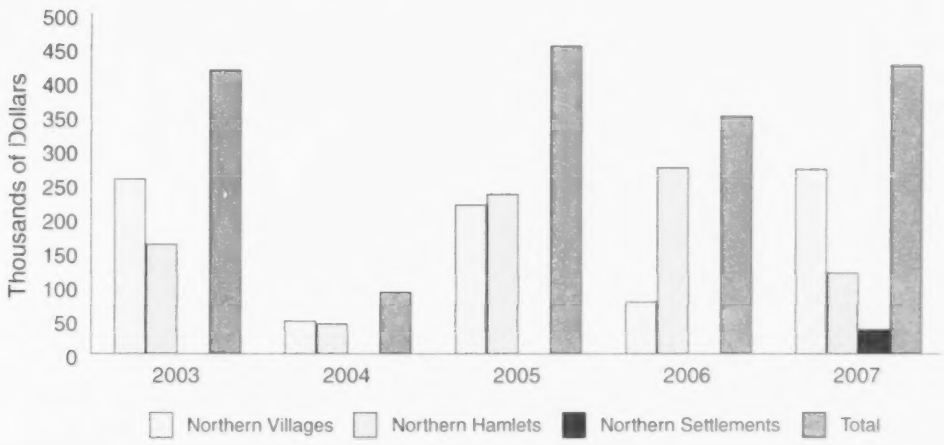
The program assists northern municipalities and settlements with emergency funding in the event of unforeseen problems which threaten the safety of the community's water and sewer systems. Funding is provided from the NRSTA's own source revenues.

In 2007, the program expended $424,000 on 10 projects in nine communities.

Northern Water and Sewer Program



Emergency Water and Sewer Program



Circuit Rider Program

The Circuit Rider Program assists communities and the NRSTA in ensuring the water and sewer systems are being run efficiently and adequately maintained. Each year, two visits are made to all 31 northern communities with water and sewer systems to provide training and technical assistance to the operator. Reports on the operations are prepared on each community. For 2007, the contract was $300,665. In addition, the contractor prepared maintenance guides and plans for the 31 water and sewer systems at a cost of $6,572.

Northern Capital Grants

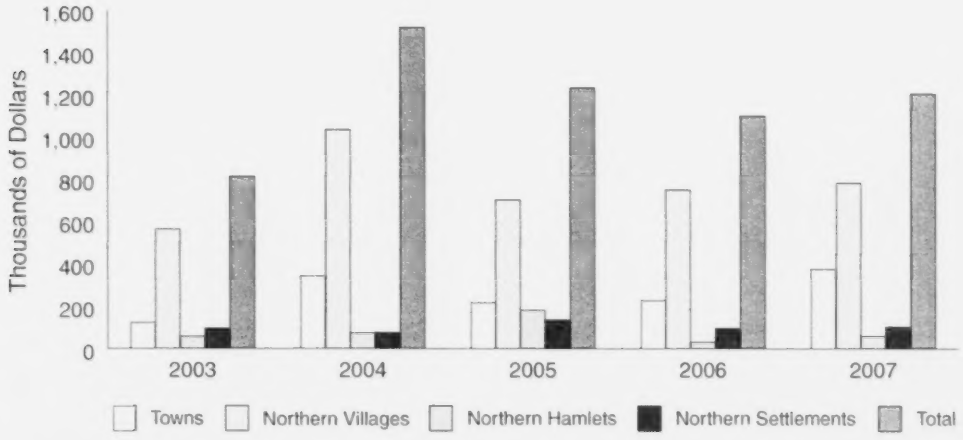
The program supports northern municipalities and settlements by providing capital funding for acquiring, constructing or upgrading municipal facilities, furniture, fixtures, and equipment. The program is funded by the NRSTA's own source revenues. The current program, approved at $8.3 million, expires March 31, 2008. In 2007, the program expended $1.2 million on 46 projects in 18 communities.

Residential Subdivision Development

This program assists northern municipalities by funding the development of new residential subdivisions to meet housing needs. The program was initially established as a revolving fund capped at $2.0 million. In 2007, this cap was increased to $4.0 million. It is funded from the NRSTA's own source revenue.

In 2007, the program expended $44,000 on a feasibility study in La Loche.

Northern Capital Grants



Management

The Minister

The Northern Municipalities Act (the Act) provides that the Minister of Municipal Affairs (formerly Government Relations) is responsible for the management of the NRSTA [section 287(2)] and is also the municipal council for the NSAD [section 2(f)]. The Act also provides that the Minister is responsible for the assessment and taxation in Northern Hamlets (section 191). The management of the NRSTA has been delegated to the Assistant Deputy Minister of Municipal Affairs, the Director of Northern Municipal Services Branch, and the Manager of Financial Services. The Minister has also appointed the Director as the municipal clerk for the NSAD.

Northern Municipal Services Branch (NMS)

The NMS has a staff of 13, including the Director. The branch has a financial unit, under the Manager of Financial Services, with five staff, which handles the financial operations of the NRSTA. There is an administration unit, under the Manager of Northern Municipal Administration, with four staff, that handles the daily operations of the NSAD, including the northern settlements and recreation subdivisions. In addition, the administration unit provides advisory and training services to the 24 northern municipalities.

The branch also has a Planner, responsible for land use planning and administration within the NSAD; a Research Officer and an Administrative Assistant to the Director.

While the NMS is responsible for the management of the NRSTA, the branch salaries and operational costs are funded by the Province of Saskatchewan through the Ministry of Municipal Affairs.

Since the financial operations and municipal operations are closely linked, effective liaison among all staff is essential.

NRSTA Management Board

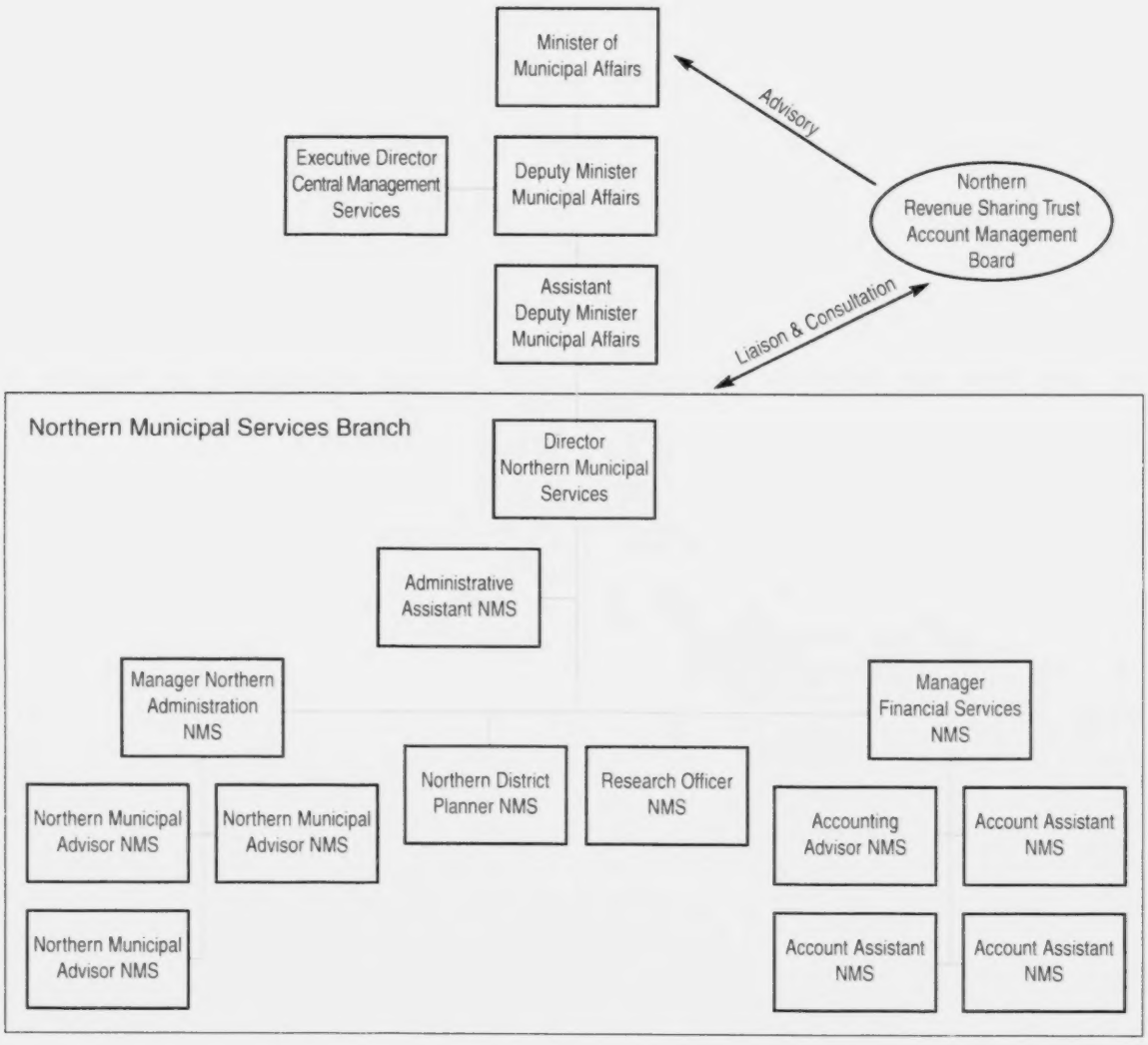
In addition, the eight member NRSTA Management Board was established under section 287.1 of the Act to provide input from northern municipal leaders on the management of the NRSTA.

Board members must be a councillor, a mayor or a clerk of a northern or an urban municipality. They are appointed to the Board by an Order in Council for a term not exceeding three years. As of December 31, 2007, the Board is made up of:

Gordon Stomp	Mayor, Northern Village of Air Ronge (Chair)
Doug Gailey	Administrator, Northern Village of La Loche (Vice-Chair)
Brian Chaboyer	Councillor, Northern Village of Cumberland House
Terri Daniels	Local Advisory Committee, Northern Settlement of Wollaston Lake
Eugenie Lafleur	Administrator, Northern Hamlet of Dore Lake
Deborah Laliberte	Councillor, Northern Village of Beauval
Bev Wheeler	Administrator, Northern Village of Denare Beach
Bobby Woods	Mayor, Northern Village of Buffalo Narrows

The Board generally meets at the call of the Chair, approximately every two months, reviews current issues and submits recommendations to the Minister. The Ministry of Municipal Affairs refers legislation affecting the NRSTA to the Board for review and comment. New programs, or amendments to existing programs, which are funded by the NRSTA, are discussed with the Board prior to implementation.

Organization Chart



Overview 2007 – Results at a Glance

The Account had a surplus of $1.7 million for 2007 as compared to the budgeted surplus of $3.7 million. The $2.0 million variance from the budget was mainly the result of transfers for infrastructure programs being less than anticipated.

Revenues

Revenues for 2007 were $21.1 million, $2.0 million less than the budgeted amount of $23.1 million as infrastructure transfers were less than anticipated. The revenue was $5.1 million (32%) higher than the 2006 actual.

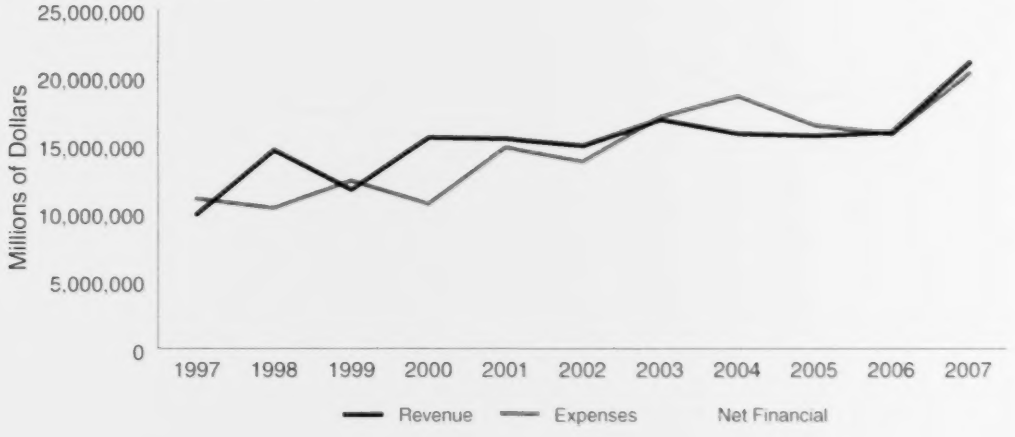
The NRSTA receives its revenues from:

- transfers from the provincial General Revenue Fund and other federal and provincial infrastructure programs, such as the Canada-Saskatchewan Infrastructure Program (CSIP) and the Municipal Rural Infrastructure Fund (MRIF);
- collection of monies from lease fees and land sales in the NSAD;
- property taxes and penalties collected on land in the NSAD, northern settlements and recreational subdivisions;
- interest on Account monies deposited in financial institutions; and,
- utility and fuel sales.

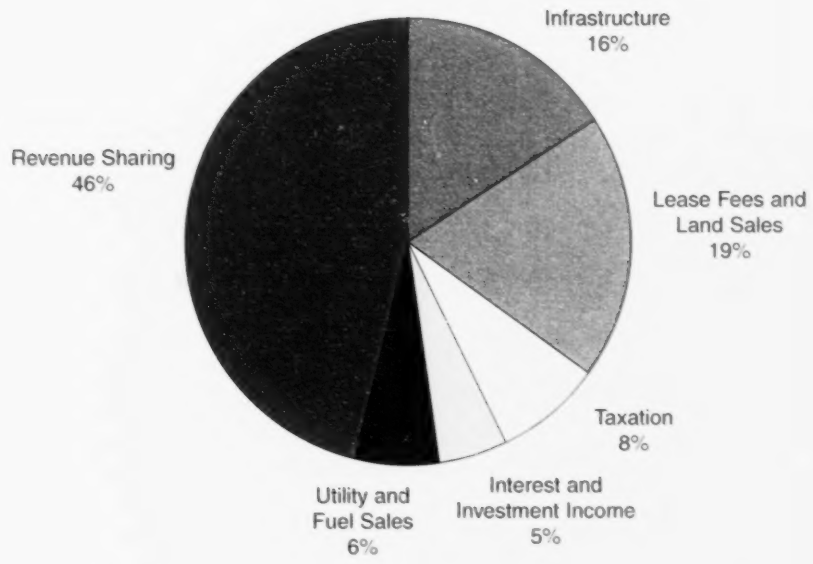
Expenses

The NRSTA expends monies on the key programs noted above. In 2007, the NRSTA had expenditures of $19.4 million, on target with the budgeted $19.4 million. Expenses were $3.6 million (23%) higher than 2006 due to increased spending on the Water and Sewer Program and for NRSG.

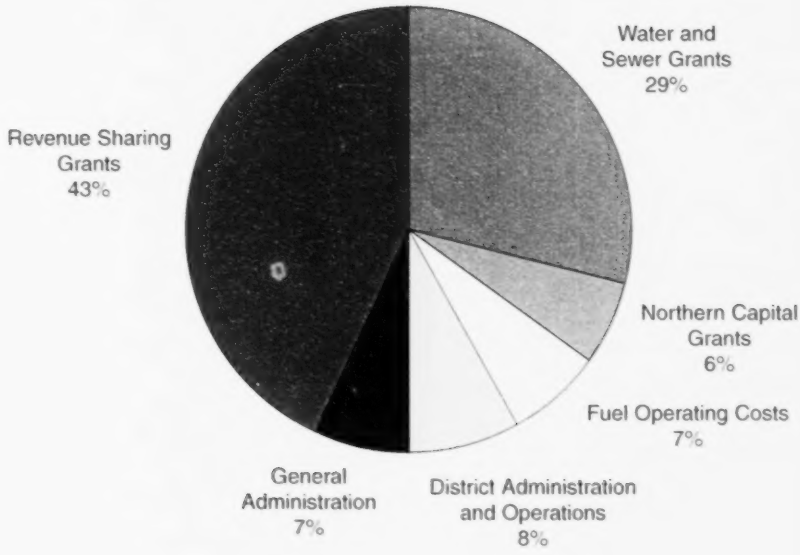
NRSTA Revenue and Expenses



NRSTA 2007 Revenues



NRSTA 2007 Expenses



Risks

Provincial and federal funding is necessary to support future water and sewer projects and unconditional revenue sharing (moderate risk). The NRSTA, on its own, does not have the ability to provide more funding for these programs.

- Managed by revising programs in response to changes in provincial and federal programs. Retaining net financial assets at $7.0 million allows time to adapt to impacts on revenues.

Financial risks relating to the protection of physical assets of the NSAD against loss, managing operations in the face of increasing costs of, and demands for, improved administration, goods and services (moderate risk). Risk could significantly increase costs of operations.

- Managed by ensuring assets are inventoried and inspected on a regular basis; appropriate insurance is maintained; monitoring costs; and adjusting local mill rates where required to meet increased operational costs.

Health and safety and legal risks related to compliance with legislation, regulations and policies and procedures [e.g., operation of water and sewer systems, land and housing management of department-owned lands] (moderate risks).

- Managed by ensuring staff are properly trained and certified, establishment of policies and procedures for operations.

Mitigating environmental impacts, in terms of landfills and waste water treatment and disposal (moderate risk). Clean-up or remedial action costs could be high along with negative public reaction.

- Managed by working with the Ministry of Environment on construction, operation and the development of management plans, as well as regular inspections and establishing set-aside funds to cover decommissioning costs of landfills.

Public health and safety risks to the communities and residents from forest fires and other dangers (moderate to high). Residential lives and property could be endangered, and liability issues could arise along with negative public reactions.

- Managed through the development of emergency plans for communities.

First Nations communities are a significant portion of the NSAD, and share services, lands and resources with municipalities; thus, there is a need to ensure positive working relationships. Duty to consult is critical to forging and maintaining a positive working relationship (moderate risk). Failure to manage this area could result in legal action as well as negative public reactions.

- Managed by developing and maintaining partnerships with First Nations on issues on the north; development of policies and procedures on consultation.

The NSAD is also currently facing increased pressure for development, including recreation, tourism, mining, forestry, traditional use and Treaty Land Entitlement. Unplanned development in the NSAD could result in other liabilities for the province if not managed appropriately (moderate risk).

- Managed by working with the Ministries of Environment and First Nations and Métis Relations, communities and First Nations on land use planning initiatives. Ensuring appropriate service agreements are in place for new developments.

Dependence on mine taxes and lease fees (over 65%) as own source revenues exposes the NRSTA to the risk of significant revenue losses if a mine closes (low risk). Uranium and other mineral prices are currently high, therefore the future looks stable. Exploration for other minerals has also increased due to higher prices for metals and minerals. Two new uranium mines (Cigar Lake and McLean Lake JV) were planned to come on line in 2007; however, flooding in Cigar Lake has delayed that project until at least 2010.

- Managed by evaluating the state of the industry and anticipating any significant changes. Expenditures on programs would need to be revised if revenues were significantly impacted. Retaining net financial assets at $7.0 million allows time to adapt to impacts on revenues.

2007 Performance Results

Revenues

Total revenues in 2007 were $21.1 million, $2.0 million less than budgeted. This was the result of infrastructure transfers from the federal and provincial governments being less than anticipated.

NRSTA revenues increased by 32% from 2006 to 2007.

Transfers

Northern Revenue Sharing

The provincial government transfers funds to the NRSTA to provide revenue grants to northern municipalities and northern settlements. Beginning in 2004, this transfer included $822,000 conditional portion to be used exclusively for water and sewer. In 2007, an additional $1.0 million conditional funding was included to assist northern communities in accessing other infrastructure funding programs.

Infrastructure

Funds flow into the NRSTA from CSIP and MRIF as reimbursement for costs of approved water and sewer projects in northern municipalities and settlements. The NRSTA advances expenses for engineering and construction, then applies for reimbursement based on a project's progress.

Other

Grants in lieu of property taxes are paid into the NRSTA by federal and provincial governments and agencies. In northern settlements and recreation subdivisions, these become designated assets for the community.

Northern settlements are eligible to receive recreation grants. These are used to support the purchase of community recreation equipment.

Transfers

(in thousands)	2003	2004	2005	2006	2007
Unconditional Revenue Sharing	$ 5,980	$ 6,158	$ 6,158	$ 7,106	$ 7,729
Conditional Revenue Sharing	–	822	822	822	1,822
Infrastructure	4,204	1,514	1,520	395	3,310
Recreation Grants	109	90	54	42	48
Grants in Lieu	45	44	46	48	51
Total	**$ 10,338**	**$ 8,628**	**$ 8,600**	**$ 8,413**	**$ 12,960**

Land Sales and Lease Fees

The lease and sale of Crown land in the NSAD provides revenue to the NRSTA. The lands are administered by the Ministry of Environment and the proceeds from leases and land sales are transferred to the NRSTA.

In addition, land sales in northern settlements and from the Northern Residential Subdivision Development Program are received by the NRSTA.

Lease fees tend to be relatively stable from year to year. Income from land sales fluctuates based on Treaty Land Entitlement sales and northern residential subdivision recoveries.

Property Taxation

The NRSTA levies and collects taxes in northern settlements, recreation subdivisions and the NSAD. Taxes collected in the northern settlements and recreational subdivisions are designated for use in the community in which they are collected.

The tax levy is based on the assessed values of land and improvements in the NSAD, northern settlements and recreation subdivisions. The Saskatchewan Assessment Management Agency (SAMA) is responsible for determining these values. The branch advises SAMA of changes to the assessment roll so adjustments can be made. Total reassessments are done every four years, with the last reassessment being done in 2005.

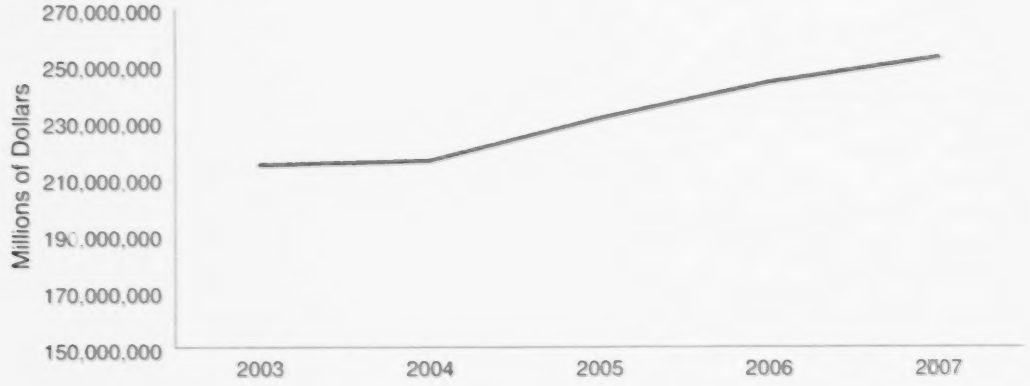
Taxable assessment has been increasing in the NSAD. Mining and mineral sectors (commercial/industrial) are the major components representing 69% of the taxable assessment. Growth in this sector has been strong and is expected to continue for the foreseeable future.

The tax levy has increased in line with the growth in assessment. In 2007, the commercial/industrial mill rate was increased by one mill (to nine) resulting in an estimated $150,000 increase in the tax levy. Combined with increased assessment, this resulted in a total levy of $1.8 million for 2007, $235,000 more than 2006.

Land Sales and Lease Fees

(in thousands)	2003	2004	2005	2006	2007
Lease Fees	$ 3,891	$ 3,705	$ 3,986	$ 4,043	$ 3,698
Land Sales	167	1,082	398	223	206
Total	**$ 4,058**	**$ 4,787**	**$ 4,384**	**$ 4,266**	**$ 3,904**

Taxable Assessment



The NRSTA administers assessment and taxation for the nine northern hamlets and the three northern school divisions. Revenues collected on behalf of the northern hamlets and school divisions are transferred to those organizations and are not reported in the NRSTA financial statements.

Interest

The NRSTA derives revenue from deposits and investments held in financial institutions and regional economic development corporations. The NRSTA negotiates to obtain the best rates on the funds held in financial institutions. In 2007, interest generated $1.0 million (2006 – $877,000). The average interest rate received on investments ranged from 4.1% to 4.75% (2006 – 3.90 to 4.65).

In 2007, the NRSTA received $54,000 from the Athabasca Economic Development and Training Corporation, based on the membership of the northern settlements of Camsell Portage, Uranium City and Wollaston Lake in that organization.

Utility and Fuel Sales

The NRSTA receives income from fuel sales in Uranium City and from the provision of water and sewer services in six northern settlements. Fuel sales have increased at Uranium City due to the increased mineral exploration activity in the region and increased fuel prices.

In 2007, the NRSTA received revenue of $1.3 million from fuel sales, and utility fees.

Municipal Tax Levy

(in thousands)	2003	2004	2005	2006	2007
Northern Settlement	$ 33	$ 35	$ 38	$ 37	$ 38
Recreation Subdivisions	76	83	99	101	102
Isolated Dispositions	1,099	1,103	1,163	1,414	1,647
Total	**$ 1,208**	**$ 1,221**	**$ 1,300**	**$ 1,552**	**$ 1,787**

Taxes Collected

(in thousands)	2003	2004	2005	2006	2007
Taxes Collected	$ 1,251	$ 1,207	$ 1,241	$ 1,437	$ 1,709
Tax Collections (as % of taxes levied)	104%	99%	95%	93%	96%

Interest

(in thousands)	2003	2004	2005	2006	2007
Interest	$ 636	$ 620	$ 608	$ 877	$ 1,045

Utility and Fuel Sales

(in thousands)	2003	2004	2005	2006	2007
Utility and Fuel Sales	$ 549	$ 560	$ 776	$ 881	$ 1,343

Expenses and Expenditures

Total expenses for 2007 were $19.4 million, which was on budget, but $3.6 million more than in 2006. Increased expenses related to the increased NRSG, increased core funding for New North and added fuel purchases for Uranium City. NRSTA expends funds in three main categories: programs, operations and administration, and capital replacement.

Programs

The budget for all programs in 2007 was $15.6 million.

Operations and Administration

This area includes the annual costs of managing the NRSTA and the operations of the northern settlements and recreation subdivisions. The cost of the Circuit Rider Program contract is included within NRSTA administration. Capital costs are not included.

For 2007, operations and administration were budgeted at $3.8 million. Actual expenses were $3.8 million. Cancellation of the administration fee charged by the Ministries of Municipal Affairs and Environment was offset by the higher cost of fuel for Uranium City.

Program Expenses

(in thousands)	2003	2004	2005	2006	2007
Northern Revenue Sharing	$ 6,606	$ 6,586	$ 6,765	$ 7,482	$ 8,400
Northern Water and Sewer	5,095	6,344	4,423	3,082	5,656
Northern Capital Grants	740	1,443	1,095	1,002	1,209
New North	238	220	220	220	320
Subdivision Development	709	166	405	12	44
Total	**$ 13,388**	**$ 14,759**	**$ 12,908**	**$ 11,798**	**$ 15,629**

Operations and Administration Expenses

(in thousands)	2003	2004	2005	2006	2007
NRSTA Administration	$ 1,076	$ 1,445	$ 1,208	$ 1,396	$ 676
Northern Settlements	2,488	2,275	2,211	2,492	2,991
Recreational Subdivisions	79	92	90	107	115
Total	**$ 3,643**	**$ 3,812**	**$ 3,509**	**$ 3,995**	**$ 3,782**

Capital Replacement

The NSAD, including the northern settlements and recreation subdivisions, has acquired, and continues to acquire, capital assets. These assets have defined life expectancies, and allowances must be made for their replacement. These include water and sewer systems, municipal buildings, equipment and landfill site decommissioning. In the past, purchase of capital assets was often assisted by grants from the provincial government or NRSTA programs. However, in the future, access to such programs cannot be assured, so appropriate funds must be in place to meet these needs.

The budget for capital replacement in 2007 was $541,600. Actual expenditures were $302,000. The difference is due to water and sewer programs and building construction that was delayed until 2008.

Capital Replacement Expenditures

(in thousands)	2003	2004	2005	2006	2007
Capital Replacement	$ 644	$ 318	$ 235	$ 187	$ 302

Key Actions and Results

Objective 1: Managing the NRSTA in a sustainable manner

The sustainability of the Account depends on the management of revenues and expenses to ensure that adequate funds are available to deliver on program commitments. The 2007 Strategic Plan established $7.0 million as the minimum threshold for the net financial assets in the general account portion of the NRSTA.

This amount is necessary to ensure cash flow to meet financial programming commitments. As an example, the NRSTA has to front end costs for water and sewer projects and submit claims to CSIP or MRIF for reimbursement of expenses. The NRSTA does not have the ability to borrow money to address cash shortages.

The net financial assets also serve as support in the event of any significant decline in revenues. The net financial assets allow the NRSTA time to adjust programming to meet any unexpected decrease in revenues.

The 2007 budget projected net financial assets of $23.2 million at the end of the year. The NRSTA finished the year with $21.0 million in net financial assets; $16.2 million in the general account and $4.8 million in designated net financial assets. The $2.2 million difference was the result of the infrastructure grant transfer to the NRSTA being less than anticipated.

Key Actions	Outcome
Evaluate options for increasing revenue for the NRSTA.	Commercial/industrial mill rate was increased by one mill to nine mills.
Review and justify administration fees charged to the NRSTA.	Administration fees were eliminated as part of the 2007-08 provincial budget. The reduction to the fees is targeted towards capacity building.
Develop options for the collection of lease fees, which are currently collected by the Ministry of Environment.	Discussions ongoing with the Ministry of Environment on process. The Ministry of Environment has started to take action on delinquent and inactive leases.
Conduct research to determine levels of funds needed in the Account in order to carry out funding obligations.	A draft report on northern infrastructure has been completed. Current analysis indicates that the NRSTA does not have adequate resources to fund all identified projects under Phase 2 of the water and sewer and other infrastructure programs.
Ensure the retained financial assets in the Account are not reduced below $7.0 million, excluding designated assets.	Net financial assets are $21.0 million inclusive of designated assets. Total net financial assets of the general account are $16.2 million. The general account is projected to have net financial assets around $6.0 million in 2012.

Objective 2: Ensure the Northern Revenue Sharing Trust Account is fully accountable, transparent and in compliance with legislative authorities

The Ministry continues to enhance the NRSTA's accountability and transparency. This includes improving accuracy and reliability of information about the NRSTA; oversight of the NRSTA by the Ministry, ensuring policies and procedures are adequate and complied with; and developing improved reporting on the NRSTA to the Legislative Assembly and the public.

The NRSTA Management Board held eight meetings in 2007. Topics covered in the meetings included distribution of 2007-08 NRSG, the progress of the Northern Water and Sewer Program, emergency repair program applications, and the Northern Residential Subdivision Development Program. The Board also reviewed and recommended acceptance of the Strategic Plan, the Business Plan and the Financial Plan. The Board also reviewed the NRSTA quarterly statements of operations.

Key actions and outcomes in this area for 2007 included:

Key Actions	Outcome
Update Strategic Plan, Business Plan and Budget for the NRSTA.	2008 documents completed and approved by end of 2007.
Continue to enhance annual information provided on the NRSTA's activities in relation to this Strategic Plan.	Annual report submitted along with 2006 financial statements.
Review procedures to prepare accurate and informative financial reports.	Reports are being prepared with accurate information.
Review governance structure of the NRSTA.	Draft report prepared as part of the review of *The Northern Municipalities Act*.
Develop policies and procedures on the operations of the NSAD.	Ongoing. Water and Sewer procedures need updating but this will depend on approval of added funding to continue the program.
Review staff requirements to effectively manage the NRSTA.	Research officer position filled within NMS branch.

Objective 3: Provide funding to assist northern municipal governments in meeting infrastructure, capital, administrative and service needs

Key Actions	Outcome
Initiate review and evaluate fairness and equity of current distribution model for northern revenue sharing grants, including impacts on Treaty Land Entitlement communities, and begin consultations with northern stakeholders to develop a discussion paper with options for updating the formula.	A Request for Proposals was advertised for consulting services to undertake the formula review. Contract to be awarded in 2008, and be completed by summer of 2008.
Assist northern communities in constructing and acquiring capital assets through administration of the Northern Capital Grants Program (NCGP).	Provided $1.2 million under the NCGP.
Develop new NCGP for initiation in 2008.	Completed a draft review of the Northern Infrastructure report and will follow through when more details are known on the Building Canada Fund. Overall infrastructure planning will include the NCGP as part of the funding.
Complete infrastructure upgrades identified under Phase 1 of the Northern Water and Sewer Program.	Wollaston Lake has been tendered and awarded. Sandy Bay was tendered in August but construction cannot begin until spring 2008. This will complete all Phase 1 projects.
Implement Phase 2 of the Water and Sewer Program based on the 2005 needs assessments.	La Loche lagoon has been completed and Ile a la Crosse project is under construction. Funding has been approved for a regional water system at La Ronge/Air Ronge, and the Board has recommended that other projects proceed to the limit of available funding.
Develop a program on long-term operation and maintenance for northern water and sewer systems.	No action to date due to time commitments to other projects.
Investigate options to assist northern communities with enhancement of operational and administrative capacity.	Outline and materials prepared for the Northern Local Government Administration Certification Program in co-operation with Northlands College. Funding to be accessed from the Northern Development Agreement and from NRSTA. Board has approved $200,000 to assist with the delivery of this program out of the capacity development money. No funds were expended in 2007 and the program should commence in fall 2008.
Evaluate the effectiveness and viability of the Northern Residential Subdivision Development Program in the provision of housing in northern communities.	Low uptake on lot sales in two communities. Agreements reached with councils on repayment of amounts over time. Inquiries from La Loche, La Ronge and Sandy Bay about using program.
Evaluate existing grant programs through the development of a long-term program review model.	A new NCGP will be implemented in 2008 and a new revenue sharing allocation will be developed.

The NRSTA provides extensive financial support for the operations and development of northern municipalities and settlements.

Northern Revenue Sharing

NRSG payments to northern communities are shown below.

Northern Water and Sewer

This program assists northern municipalities and settlements with the development of new, or with upgrading existing, water and sewer facilities. It is funded by NRSTA retained net financial assets and from federal/provincial infrastructure programs.

The Northern Revenue Sharing Grants Regulations provide northern municipalities or settlements with funding assistance in an amount equal to the greater of:

(a) the northern municipality's or settlement's cost for any water and sewer upgrading project, less an amount equal to two mills on the most recent confirmed taxable assessment of the northern community; or,

(b) 85% of the total cost of the project itself.

In 2007, the program was budgeted to spend $5.3 million on eight projects in eight communities. In 2007, the program funded 21 projects, worth $5.7 million in 16 communities.

Phase 1 Water and Sewer Projects

The program started in 2000 and is forecast to cost $34.5 million. To date, $32 million in work has been completed with the balance to be done by the end of 2008. The last two Phase 1 projects were tendered and awarded in 2007, but construction will not commence until 2008. Phase 1 was funded by the NRSTA and CSIP.

Phase 2 Water and Sewer Projects

To comply with the Ministry of Environment's (ME) regulations, an assessment of the future requirements of the water and sewer systems was carried out in 2005-06. The study identified a further $34 million in work to upgrade water and sewer systems in 28 of the 30 northern communities, which will be carried out in Phase 2 of the program. Projects at Ile a la Crosse and La Loche have started under Phase 2. The La Loche sewage lagoon expansion was completed in 2007. Phase 2 is funded by the NRSTA, MRIF and the provincial conditional revenue sharing.

Upgrades are needed to:

- comply with ME regulations;
- increase system capacity due to population growth; and,
- replace aged or worn out components.

Northern Revenue Sharing Grants – Unconditional

(in thousands)	2003	2004	2005	2006	2007
Towns	$ 702	$ 736	$ 740	$ 799	$ 1,020
Northern Villages	4,567	4,787	4,815	5,203	5,846
Northern Hamlets	1,103	1,166	1,173	1,268	1,318
	6,372	6,689	6,728	7,270	8,184
Northern Settlements	854	911	937	1,139	1,053
Flin Flon Boundary Agreement	35	35	36	38	35
Total	**$ 7,261**	**$ 7,635**	**$ 7,701**	**$ 8,447**	**$ 9,272**

It is expected the cost of the required work will be closer to $50.0 million due to increases in labour and material costs. Under MRIF, $4.8 million was allocated to the north. Additional work will be completed as funding becomes available.

Emergency Water and Sewer

This program assists northern municipalities and settlements with emergency funding in the event of unforeseen problems which threaten the safety of the community's water and sewer systems. Funding is provided from NRSTA's own source revenues.

Projects are approved by the Minister of Municipal Affairs based on:

- the recommendation of the Northern Revenue Sharing Trust Account Management Board; and,
- confirmation from Saskatchewan Water Corporation that the situation is critical and meets the criteria of the program.

In 2007, the program expended $424,000 on 10 projects in nine communities.

Northern Water and Sewer Program – Number of Projects Funded

	2003	2004	2005	2006	2007
Towns	5	7	4	5	4
Northern Villages	12	14	17	13	9
Northern Hamlets	8	19	6	5	4
Northern Settlements	5	7	2	4	4
Total	**30**	**47**	**29**	**27**	**21**

Northern Water and Sewer Program

(in thousands)	2003	2004	2005	2006	2007
Towns	$ 3,237	$ 1,887	$ 936	$ 927	$ 359
Northern Villages	1,021	3,635	2,314	1,205	4,663
Northern Hamlets	380	601	535	381	44
General Expenditures	80	132	193	224	201
	4,718	6,255	3,978	2,737	5,267
Northern Settlements	542	253	27	78	81
Total	**$ 5,260**	**$ 6,508**	**$ 4,005**	**$ 2,815**	**$ 5,348**

Emergency Water and Sewer Program – Number of Projects Funded

	2003	2004	2005	2006	2007
Towns	–	–	–	–	–
Northern Villages	8	4	5	2	4
Northern Hamlets	7	3	4	2	5
Northern Settlements	–	–	–	–	1
Total	**15**	**7**	**9**	**4**	**10**

Emergency Water and Sewer Program – Program Expenditures

(in thousands)	2003	2004	2005	2006	2007
Northern Villages	$ 256	$ 46	$ 216	$ 74	$ 271
Northern Hamlets	160	43	229	271	118
	416	89	445	345	389
Northern Settlements	–	–	–	–	35
Total	**$ 416**	**$ 89**	**$ 445**	**$ 345**	**$ 424**

Northern Capital Grants

The Northern Capital Grants Program is to support municipal infrastructure initiatives and is funded by NRSTA. Under *The Northern Revenue Sharing Grants Regulations*, communities are allocated an eligible amount for a five-year period, for which they may apply to spend on municipal infrastructure. The program funds up to 90% of the capital cost to the maximum of the community's eligibility; the community must fund at least 10% of the cost.

The program allocation available for 2003-08 was $8.3 million. At the end of 2007, the program has spent $5.8 million. It is estimated that, by March 31, 2008, the total cost of the program will be $6.8 million, or $1.5 million below the total amount allocated.

Northern Capital Grants

(in thousands)	2003	2004	2005	2006	2007
Towns	$ 122	$ 340	$ 216	$ 227	$ 371
Northern Villages	562	1,031	699	746	780
Northern Hamlets	56	72	180	29	58
	740	1,443	1,095	1,002	1,209
Northern Settlements	71	73	134	94	101
Total	**$ 811**	**$ 1,516**	**$ 1,229**	**$ 1,096**	**$ 1,310**

Northern Capital Grants – Number of Projects Funded

	2003	2004	2005	2006	2007
Towns	3	6	11	8	15
Northern Villages	19	35	29	31	18
Northern Hamlets	11	13	13	3	11
Northern Settlements	7	6	7	5	2
Total	**40**	**60**	**60**	**47**	**46**

Residential Subdivision Development

The Northern Residential Subdivision Development Program was established as a revolving fund capped at $2.0 million. The cap was increased to $4.0 million during 2007 in response to anticipated increased demand. The prices for lots are established to fully recover all development costs. The communities transfer title of the lots to the NRSTA before the start of development. Contractual agreements are signed whereby five years after completion of the development, the community has to repurchase the unsold lots for the remaining outstanding development costs. Funds recovered from the sale of the lots are added back to the program in order to provide assistance to other northern communities.

In 2007, the program expended $44,000 on one project in one community. The program was budgeted at $50,000.

No new subdivisions were started during the year. Three lots in existing developments were sold for $44,000, as well $162,000 was recovered under repayment agreements with municipalities. At the end of 2007, a total of 97 lots remain with a carried development cost of $922,000 leaving $3,078,000 in the fund for new development.

Operations and Administration

The NRSTA is responsible for managing the operations of the northern settlements and recreational subdivisions. In 2007, $3.0 million (2006 – $2.5 million) was spent in the settlements and $115,000 (2006 – $107,000) in the recreational subdivisions. Net financial assets of the settlements was $4.3 million at the end of 2007 (2006 – $4.1 million) and of the recreation subdivisions $423,000 (2006 – $431,000).

Management Discussion and Analysis

2008 Outlook

The 2008 NRSTA consolidated budget projects an overall deficit of $3.7 million based on the level of expenditures for the Water and Sewer Program. This is expected to decrease the net financial assets in the account to $15.6 million by the end of the year. Overall revenues are expected to increase by 8% to $22.9 million based on an assumed increase in transfers for water and sewer. Expenses are projected to increase by 37% from 2007 to $26.6 million. The increase is mainly due to an increase in expenditures on Water and Sewer Programs.

Based on projected expenditures through to 2012, it is expected that the NRSTA's net financial assets in the general account will be drawn down to the minimum $6.0 million. This is the new minimum level recommended by the Management Board. Of the total net financial assets of $21.0 million at the end of 2007, $4.8 million is to be used solely for the operations of the northern settlements and recreation subdivisions.

The 2008 consolidated budget projects total revenues of $22.9 million (2007 actual – $21.1 million), an increase of $1.8 million mainly due to expected increased transfers from the province.

The 2008 consolidated budget projects expenses at $26.6 million (2007 actual – $19.4 million), an increase of $7.2 million, mainly due to the number of water and sewer projects.

Uncertainties and risks related to 2008 mainly relate to factors outside NRSTA control. The level of funding from federal and provincial governments for infrastructure investment has not been determined. The amounts of funding, scale and timing of NRSTA programs would be affected by any significant variance from anticipated amounts.

Currently, the NRSTA funding for water and sewer projects under Phase 2 is fully committed. There is limited flexibility to respond to cost increases on approved projects, or to undertake new projects. The provision of federal and provincial funding for infrastructure is critical to ensuring the continued ability of the NRSTA to assist northern communities in upgrading their services and facilities.

Northern communities and the NSAD are facing increased pressure for infrastructure development due to population growth as a result of increasing developments in oil and gas, mining, forestry and tourism. Infrastructure improvement and development are key to ensuring that northern communities are able to meet the demands of this growth.

In addition, the Water and Sewer Program and Residential Subdivision Development Program remains at risk due to the uncertainty of the availability of contractors, surveyors and engineers to do the work. Results could be increased costs or delays in projects.

Key actions to be pursued in 2008 from the Strategic Plan include:

Infrastructure Development

- Assist northern communities in constructing and acquiring capital assets through the development and administration of a new Northern Capital Grants Program.
- Complete a comprehensive infrastructure strategy to effectively access the Building Canada Fund.
- Complete infrastructure upgrades identified under Phase 1 of the Northern Water and Sewer Program.
- Continue to deliver Phase 2 of the Water and Sewer Program based on 2005 needs assessment.
- Continue to deliver the Northern Residential Subdivision Development Program in the provision of housing in northern communities.

Capacity Development

- Implement a training program for northern municipal administrators to enhance their abilities to manage municipal administration and operations.
- Continue to provide programs that assist in increasing the administrative and governance capacity of municipal leaders, administrators and municipal staff.

Management of the NRSTA

- Evaluate options for increasing revenue for the NRSTA.
- Update the Strategic Plan, Business Plan and Budget for the NRSTA.
- Continue to enhance annual information provided on the NRSTA's activities in relation to the Strategic Plan.
- Continue to monitor, review and improve policies and procedures for operation of the NRSTA and NSAD.
- Continue to evaluate staff requirements to effectively manage the NRSTA and NSAD.
- Initiate implementation of the Northern Infrastructure Strategy.
- Design and implement the new Northern Capital Grants Program.
- Review and evaluate fairness and equity of the current distribution model for northern revenue sharing grants and begin consultations with northern stakeholders on updating the formula.
- Ensure the net financial assets in the Account are not reduced below $6.0 million, excluding designated assets.

2007
Annual Report

Northern Revenue Sharing Trust Account

Appendices

Appendix 1

Northern Revenue Sharing Trust Account
Payments to Vendors

Vendor	Payments Amounts >$2,000 & <$10,000
Aalen, Ken	$ 3,600
Acklands-Grainger Inc.	8,913
Amachewespimawin Co-op	6,712
B.B.G. Oil Services	3,000
Brown, Henry	6,296
Camsell Portage Freighting	2,290
Can Am Outfitters Ltd	4,739
Caribou Creek Plumbing	4,598
Clarke, Joseph	4,200
Cleartech Industries Inc.	3,732
Comima Ventures Ltd	4,024
Corman Park Satellite	3,161
Corus Entertainment Inc.	2,226
Cummins Western Canada	4,351
Dallen Industries	3,673
Eagle Bay Resort Ltd	9,355
Fiske Electric	4,299
Flin Flon Castle	9,058
German, Adam	6,768
Harbour Inn	2,655
Hatchet Lake Band	6,965
Herman, Randy	2,625
Janvier, Jonathan	4,800
K&T Contractors	3,699
Kosior Tractor Ltd	5,025
La Loche Fuel Bar	9,939
La Ronge Co-op	4,311
La Ronge Regional Landfill	7,397
Laliberte, Deborah	3,862
Laprise, Dora	2,400
Lazar Equipment	4,017
Leier, Bruce	2,238
Len's Trucking	5,628
Long & McQuade	3,803
LT Rock and Sand Ltd	3,683
M&E Auto Repair Ltd	3,076
Marlboro Inn	2,919
Marsollier Petroleum	3,091
McCarty, Loanne	2,982
Meadow Lake Fountain Tire	5,033
Meadow Lake Power & Equipment	2,127
Millsap Fuel Distributors	3,662
Montgrand, Joey	3,417
Munisoft	4,913
P.R. Service	$ 5,477
Petit's Lumber & Home	4,825
Poelzer, Greg	2,995
Prakash Engineering Ltd	2,795
Prince Albert Co-op	9,013
R Beega's	9,959
Redhead Equipment Ltd.	3,775
S.W.A.T.T.	4,614
Sal Engineering Ltd.	6,803
Saskatoon Boiler Mfg. Co.	7,305
Stauber Drilling Inc	7,288
The Northwest Company	3,468
Triple R Contracting Ltd	3,966
True Value	9,659
TSL Mechanical	4,452
Urdel Ltd.	2,742
Wadin Bay Cabin Owners	2,750
Woseley Waterworks	2,308
Xplornet	2,225
Total Payments >$2,000 <$10,000	**$ 295,681**

Northern Revenue Sharing Trust Account
Payments to Vendors (continued)

Vendor	Payments Amounts >$10,000
A&L Transport	$ 337,928
Associated Engineering	47,881
ATAP Infrastructure	292,977
B.R. Concrete & Excavation	12,524
Barkey's Wood'n Stuff	24,003
Bomac Management Ltd	1,229,470
Buffalo Airways	517,788
Bullee Consulting Ltd.	264,525
Econo Lumber	21,404
Farm & Garden Centre	13,875
Fox Point Development	11,196
G.W. Construction Ltd	3,091,861
GT Ventures	10,245
Haid Construction Ltd.	13,676
J & R Atkinson Excavating	105,389
Lac La Ronge Indian Band	25,900
McGill's Industrial Service	10,542
Meadow Lake Truck	10,374
Methy Construction and Maintenance	58,034
Mones & Associates Insurance Brokers	64,285
MS Filter Inc	27,693
Northern Hamlet of Missinipe	30,436
P. Machibroda Engineering	40,549
Points North Freight	308,990
Ritchie Construction Ltd	90,061
Ron's Plumbing and Heating	10,799
Stockdales Electric Motors	32,125
Superior Propane Inc.	28,042
Transwest Air	13,207
UMA Engineering	500,434
Unicon Pipeline Ltd.	207,378
Univar Canada Ltd.	19,507
Uranium City Bulk Fuel Ltd.	209,182
Village of Air Ronge	27,355
Total Payments >$10,000	**$ 7,709,635**
Payments <$2,000	103,385
Payments >$2,000 <$10,000	295,681
Total Payments	**$ 8,108,701**

Appendix 2

Northern Revenue Sharing Trust Account
Payments to Management Board, Advisory Committees and Employees

Recipient	Salaries	Travel	Honorarium	Total
Chaboyer, Brian		$ 2,474	$ 1,938	$ 4,411
Daniels, Terri		1,365	2,433	3,797
Finley, Tim A.	$ 10,046	41		10,088
Friesen, Fred	14,326	122		14,448
Gailey, Doug		2,953	2,015	4,968
German, Adam	32,096	502		32,598
Hansen, William	2,739			2,739
Hardlotte, Lydia	4,770			4,770
Herman, Earl	9,255			9,255
La Fleur, Eugenie		1,770	2,093	3,862
Landon, Dennis	16,583	980		17,563
Laprise, Casey	11,830		180	12,010
Laprise, Donald	6,972	707	580	8,259
Laprise, Dora	6,902			6,902
Lemaigre, Damian	2,337		150	2,487
Lenko, Carolyn	4,160			4,160
McKenzie, William	9,055	41		9,096
McLeod, Albert E.	6,125			6,125
McLeod, Allan T.	3,557			3,557
McLeod, Harry	3,420			3,420
McLeod, Irvine	27,896			27,896
McLeod, Joyce	7,345			7,345
McLeod, Stewart	3,580			3,580
Merasty, Lucy	3,728			3,728
Merasty, Roderick	22,605			22,605
Moise, George	7,469			7,469
Montgrand, Joey	39,038	3,137		42,175
Montgrand, Phillip	4,455	877	480	5,812
Montgrand, Ryan R.	8,497			8,497
Park, Fabian J.	18,102			18,102
Petit, Frank		2,021	540	2,561
Piche, Danny	8,710		90	8,800
Piper, Melvin	7,900			7,900
Ratzlaff, Bertha	27,195	3,369		30,565
St. Pierre, Terrance	2,855			2,855
Stomp, Gordon		706	3,178	3,884
Thomas, Adolph	2,093			2,093
Toulejour, Archie	5,292	85	260	5,637
Toulejour, Jeff	4,633			4,633
Toulejour, Kevin	8,285			8,285
Wheeler, Beverly		2,500	2,325	4,825
Woods, Robert		2,540	2,325	4,865
Total > $2,000	353,850	26,189	18,586	$ 398,625
Total < $2,000	26,820	2,784	6,843	36,447
Total	**$ 380,670**	**$ 28,974**	**$ 25,428**	**$ 435,071**

Appendix 3

Northern Revenue Sharing Trust Account
Payments Made to Related Parties

Name		Amount
Saskatchewan Water Corporation	$	368,545
Minister of Finance – Municipal Affairs		200,000
Minister of Finance – Saskatchewan Property Management		53,000
Minister of Finance – Highways		12,900
Minister of Finance – Sask Environment		5,386
Minister of Finance – Other		1,725
Saskatchewan Power Corporation		148,661
Saskatchewan Assessment Management Agency		36,597
Sask Tel C.M.R.		11,895
Saskatchewan Government Insurance		6,767
Saskatchewan Workers' Compensation Board		6,761
Information Services Corporation		5,436
Saskatchewan Watershed Authority		460
Queen's Printer		30
Total Payments to Related Parties	**$**	**858,163**

Appendix 4

Northern Revenue Sharing Trust Account
Payments of Grants

Recipient	Revenue Sharing	Capital Grant	Other	Total Grants
Flin Flon	$ 35,361			$ 35,361
New North			$ 265,000	265,000
Towns				
Creighton	424,656	$ 275,208		699,864
La Ronge	595,176	107,961		703,137
Villages				
Air Ronge	302,733	81,002		383,735
Beauval	375,891	113,968		489,859
Buffalo Narrows	538,908	111,616		650,524
Cole Bay	158,308			158,308
Cumberland House	493,292	109,188		602,480
Denare Beach	359,913	40,159		400,072
Green Lake	328,591	13,800		342,391
Ile a la Crosse	640,514	152,255		792,769
Jans Bay	159,602			159,602
La Loche	1,080,354	52,150		1,132,504
Pelican Narrows	394,653			394,653
Pinehouse	456,799	156,901		613,700
Sandy Bay	556,426	71,100		627,526
Hamlets				
Dore Lake	115,154			115,154
Michel Village	131,637	20,788		152,425
Missinipe	114,705	4,930		119,635
Patuanak	151,547			151,547
St. George's Hill	134,024			134,024
Stony Rapids	184,192	53,716		237,908
Timber Bay	150,574	3,150		153,724
Turnor Lake	170,149			170,149
Weyakwin	166,359	2,279		168,638
Settlements				
Bear Creek	81,759			81,759
Black Point	68,815			68,815
Brabant Lake	118,849			118,849
Camsell Portage	70,492			70,492
Descharme Lake	68,662	40,690		109,352
Garson Lake	68,600			68,600
Sled Lake	80,134	40,772		120,906
Southend	68,122			68,122
Stanley Mission	143,717			143,717
Uranium City	135,704			135,704
Wollaston Lake	147,672			147,672
Total Grants Paid	**$ 9,272,044**	**$ 1,451,633**	**$ 265,000**	**$ 10,988,677**

Appendix 5

Northern Revenue Sharing Trust Account
Detailed Schedule of Revenues

(in thousands)

	2007 Budget	2007 Actual	2006 Actual
Revenues			
Transfers			
Unconditional revenue sharing transfer	$ 7,928	$ 7,729	$ 7,106
Conditional revenue sharing transfer	822	1,822	822
Unconditional Canada Saskatchewan Infrastructure and Centenary Program – water and sewer	7,113	3,310	395
Conditional training, recreational and other	61	48	42
Grants in lieu	42	51	48
	15,966	12,960	8,413
Lease Fees	3,900	3,698	4,043
Taxes			
Municipal tax levy	1,648	1,787	1,552
Discount on taxes	(55)	(84)	(73)
Municipal taxes cancelled	(5)	(14)	(59)
Municipal taxes refunded	–	–	(1)
	1,588	1,689	1,419
Interest and Investment Income			
Interest	590	1,045	877
Investment income	–	54	–
Penalty on taxes	40	41	49
	630	1,140	926
Utility and Fuel Sales	845	1,343	881
Land Sales	163	206	223
Other	53	29	37
Total Revenues	**$ 23,145**	**$ 21,065**	**$ 15,942**

Appendix 6

Northern Revenue Sharing Trust Account
Detailed Schedule of Expenses

(in thousands)

	2007 Budget	2007 Actual	2006 Actual
Expenses			
Transfers			
Northern revenue sharing	$ 8,300	$ 8,400	$ 7,482
Water and sewer	5,930	5,656	3,082
Capital grants	1,136	1,209	1,002
New North	220	320	220
	15,586	15,585	11,786
Northern Residential Subdivision Development	50	44	12
General Government			
Wages and benefits	30	22	19
Administration	712	219	680
Contractual services	493	371	441
Utilities	39	47	44
Maintenance, materials and supplies	20	14	8
Loss on disposal of tangible capital assets	–	12	1
Other	20	21	22
Amortization	23	14	20
	1,337	720	1,235
Utilities Operating Expense			
Wages and benefits	85	116	89
Contractual services	112	88	131
Utilities	117	180	94
Maintenance, materials and supplies	52	104	62
Other	33	28	32
Amortization	201	192	196
	600	708	604
Recreation and Cultural			
Wages and benefits	44	32	30
Contractual services	16	15	7
Utilities	65	53	49
Maintenance, materials and supplies	75	55	99
Other	18	23	22
Amortization	123	125	128
	341	303	335

Northern Revenue Sharing Trust Account
Detailed Schedule of Expenses (continued)

(in thousands)

	2007 Budget	2007 Actual	2006 Actual
Environmental			
Wages and benefits	$ 170	$ 139	$ 119
Contractual services	41	46	52
Maintenance, materials and supplies	40	27	40
Other	1	1	–
Amortization	12	4	4
	264	217	215
Transportation Services			
Wages and benefits	81	96	80
Contractual services	71	49	75
Utilities	71	70	64
Maintenance, materials and supplies	80	59	66
Other	14	20	15
Amortization	56	77	76
	373	371	376
Protective Services			
Wages and benefits	–	1	1
Maintenance, materials and supplies	6	1	8
Contractual services	4	–	3
Utilities	2	3	3
Other	2	2	2
Amortization	10	11	11
	24	18	28
Public Health and Welfare			
Contractual services	–	2	4
Fuel Operating Cost			
Maintenance, materials and supplies	661	1,197	769
Other	24	24	24
Utilities	1	1	1
Amortization	90	90	90
	776	1,312	884
Landfill Decommissioning			
Contractual services	–	8	5
Bad Debt Expense	50	123	309
Total Expenses	**$ 19,401**	**$ 19,411**	**$ 15,793**

2007
Annual Report

Northern Revenue Sharing Trust Account

Financial Statements

For the Year Ended December 31, 2007

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Northern Revenue Sharing Trust Account, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Northern Revenue Sharing Trust Account has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Northern Revenue Sharing Trust Account for the year ended December 31, 2007 and the Provincial Auditor's report on these financial statements.

Harley Olsen
Deputy Minister
Municipal Affairs

Randy Braaten
Director
Northern Municipal Services

Tony Bunz
Manager, Financial Services
Northern Municipal Services

Regina, Saskatchewan
March 6, 2008

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Northern Revenue Sharing Trust Account as at December 31, 2007 and the statements of operations and accumulated surplus, change in net financial assets, and cash flow for the year then ended. The Northern Revenue Sharing Trust Account's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Northern Revenue Sharing Trust Account as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 6, 2008

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

NORTHERN REVENUE SHARING TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
As at December 31

	(in thousands)	
	2007	2006
Financial assets		
Cash	$ 3,226	$ 3,002
Temporary investments	21,040	17,750
Accounts receivable (Note 4)	2,315	1,935
Inventory for resale	236	683
	26,817	23,370
Liabilities		
Grants payable	2,138	2,217
Unearned revenue (Note 5)	1,580	1,493
Advance payments (Note 6)	1,500	–
Accounts payable (Note 7)	183	248
Accrued landfill decommissioning (Note 8)	237	229
Revenues collected for others (Note 9)	148	136
	5,786	4,323
Net financial assets (Note 12) (Statement 3)	21,031	19,047
Non-financial assets		
Tangible capital assets (Note 10)	4,774	4,997
Prepaid expenses	–	107
	4,774	5,104
Accumulated surplus (Note 12)	$ 25,805	$ 24,151
Contractual obligations (Note 14)		

(see accompanying notes to the financial statements)

Statement 2

NORTHERN REVENUE SHARING TRUST ACCOUNT
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the year ended December 31

(in thousands)

	2007		2006
	Budget (Note 11)	Actual	Actual
Revenues (Note 12)			
Transfers	$ 15,966	$ 12,960	$ 8,413
Lease fees	3,900	3,698	4,043
Taxation	1,588	1,689	1,419
Interest and investment income	630	1,140	926
Utility and fuel sales	845	1,343	881
Land sales	163	206	223
Other	53	29	37
	23,145	21,065	15,942
Expenses (Notes 12 and 15)			
Transfers			
Northern revenue sharing	8,300	8,400	7,482
Water and sewer	5,930	5,656	3,082
Northern capital	1,136	1,209	1,002
New North	220	320	220
Northern residential subdivision	50	44	12
Fuel operating costs	776	1,312	884
Landfill decommissioning (Note 8)	–	8	5
Municipal services			
General government	1,337	720	1,235
Utilities operating cost	600	708	604
Recreation and cultural	341	303	335
Environmental	264	217	215
Transportation services	373	371	376
Protective services	24	18	28
Public health and welfare	–	2	4
Bad debt expense	50	123	309
	19,401	19,411	15,793
Surplus for the year	$ 3,744	1,654	149
Accumulated surplus, beginning of year		24,151	24,002
Accumulated surplus, end of year		$ 25,805	$ 24,151

(see accompanying notes to the financial statements)

Statement 3

NORTHERN REVENUE SHARING TRUST ACCOUNT
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31

(in thousands)

	2007	2006
	Actual	Actual
Surplus for the year	$ 1,654	$ 149
Acquisition of tangible capital assets	(302)	(187)
Amortization of tangible capital assets	513	525
Write-down of tangible capital assets	12	1
Proceeds on sale of tangible capital assets	10	1
Loss on sale of tangible capital assets	(10)	–
Use of prepaid expenses	107	–
Increase in net financial assets	1,984	489
Net financial assets, beginning of year	19,047	18,558
Net financial assets, end of year (Statement 1)	$ 21,031	$ 19,047

(see accompanying notes to the financial statements)

Statement 4

NORTHERN REVENUE SHARING TRUST ACCOUNT
STATEMENT OF CASH FLOW
For the year ended December 31

	(in thousands) 2007	2006
Operating transactions		
Cash receipts:		
General Revenue Fund	$ 12,214	$ 8,390
Leases and land sales	4,145	5,575
Taxes	1,697	1,400
Investments	1,201	719
Utility and fuel sales	1,246	852
Advance payment	1,500	–
Other sources	63	132
	22,066	17,068
Cash payments:		
Transfers	(15,465)	(11,656)
Northern subdivision development	(44)	(12)
Fuel operating costs	(777)	(1,074)
Landfill decommissioning	–	(19)
Municipal services	(2,014)	(2,733)
	(18,300)	(15,494)
Cash provided by operating transactions	3,766	1,574
Capital transactions		
Cash used to acquire tangible capital assets	(262)	(187)
Proceeds from disposal of tangible capital assets and tax tile properties	10	1
Cash applied to capital transactions	(252)	(186)
Investing transactions		
Proceeds from disposal of temporary investments	50,500	72,500
Purchase of temporary investments	(53,790)	(72,000)
Cash (applied to) provided by investing transactions	(3,290)	500
Increase in cash	224	1,888
Cash, beginning of year	3,002	1,114
Cash, end of year	$ 3,226	$ 3,002

(see accompanying notes to the financial statements)

NORTHERN REVENUE SHARING TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

1. Authority and organization description

Northern Revenue Sharing Trust Account (NRSTA) was established by Section 287 of *The Northern Municipalities Act* (Act). NRSTA is administered by the Northern Municipal Services Branch of the Ministry of Municipal Affairs (MA) (2006 – Department of Government Relations). NRSTA administers all revenues relating to the Northern Saskatchewan Administration District (NSAD) and all moneys appropriated by the Legislature for the purposes of northern revenue sharing and other grant programs. NSAD is a geographical area defined under *The Northern Saskatchewan Administration District Boundaries Regulations*. The NRSTA also acts as a municipal operating fund for the unincorporated area in the district, the northern settlements and recreational subdivisions.

The Northern Water and Sewer Program provides funding to northern municipalities to develop and install or upgrade water and sewer systems to ensure residents have access to a safe potable water supply.

The Northern Capital Grant Program provides funding to northern municipalities with limited sources of revenue to assist in the construction and upgrade of municipal facilities and equipment.

The Saskatchewan Association of Northern Communities (New North) serves as a liaison between the northern municipalities and MA, and is an advocate voice for northern municipalities. The transfer to New North, on behalf of the northern municipalities and settlements, is to assist them in promoting membership in their association.

The Northern Residential Subdivision Program provides for the development of residential lots. Many of the municipalities in NSAD do not have sufficient tax bases or other sources of revenue necessary to develop a subdivision. Ownership of the developed lots is, by agreement with the municipalities, transferred to NRSTA.

Pursuant to the Act, NRSTA collects taxes for northern hamlets and northern school divisions. Taxes levied on behalf of northern hamlets and northern school divisions are not considered revenue of NRSTA and are not reflected in the Statement of Operations. These taxes are remitted to the respective entities when received.

2. Significant accounting policies

These financial statements are prepared in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

a) Inventory for resale

Fuel held for resale is valued at the lower of cost, determined on a first in first out basis, and net realizable value.

b) Investments

i) Temporary

Short-term deposits that mature within one year and are recorded at cost, which approximates their market value.

ii) Portfolio

Athabasca Basin Development Limited Partnership (ABDLP) was established in 2002 to provide employment and economic development in the north. The northern settlements of Wollaston, Uranium City, and Camsell Portage each have a six percent limited partnership interest in ABDLP. First Nations in the far north hold the remaining interest. None of the limited partners paid any cash to secure their interest in ABDLP. These northern settlements record the investment as a portfolio investment whereby the investment is carried at cost and the revenue is recorded when cash distributions are received.

c) Landfill decommissioning and post decommissioning care

The costs to decommission landfill sites and the post decommissioning care are recognized over their estimated remaining lives based on the current land allocation to landfill and usage.

Total estimated costs will be adjusted in the year when events indicating a change is required become known.

d) Tangible capital assets

Tangible capital assets are recorded at cost in the year acquired less accumulated amortization. NRSTA's tangible capital asset policy requires items with a cost of $500 or more and a useful life of greater than a year to be capitalized. All costs directly attributable to acquisition, construction, development or betterment are capitalized. Assets are amortized commencing in the year the assets are acquired using the straight-line method over their estimated useful lives as follows:

Buildings	25 years
Machinery and equipment	10 years
Office furniture and equipment	3 – 5 years
Water and sewer infrastructure	25 years
Other	10 years

Tangible capital assets are written down when the asset no longer contributes to NRSTA's ability to provide goods and services.

Information regarding the value of roads and infrastructure contributed upon formation of the settlements and recreational subdivisions is not available. These assets are considered to be fully amortized with an insignificant residual value.

e) Revenue

Revenues are recorded on the accrual basis. Government transfers are recognized as revenue in the period during which the transfer is authorized and any eligibility criteria are met.

f) Transfer payments

Transfer payments, such as entitlements, grants, and shared cost agreements, are recognized as expenses in the period when the transfer is authorized, the eligibility criteria have been met by the recipient, and a reasonable estimate of the amount can be made.

g) Northern Residential Subdivision Program – land development costs

NRSTA incurs land development costs for the Northern Residential Subdivision Program. Under the program, NRSTA develops lots for sale to private individuals or organizations. These costs include subdivision design and installation of power, water and sewer services. NRSTA expenses these costs in the year the costs are incurred provided it has no firm commitment from prospective buyers. However, when NRSTA has a firm commitment from a prospective buyer it records the related costs as assets on the Statement of Financial Position. NRSTA recognizes the sale of developed lots in the year the lots are sold or funds are recovered from the communities where the subdivision exists.

h) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures for the year. Actual results could differ from those estimates.

3. Financial instruments

NRSTA's financial instruments include cash, temporary investments, accounts receivable, grants payable, accounts payable and revenues collected for others. The fair value of these instruments approximates the carrying value due to their immediate or short-term nature. The temporary investments are term deposits with a weighted average term to maturity of 159 days (2006 – 210 days) and bear interest ranging from 4.10% to 4.75% per annum (2006 – 3.90% to 4.65%).

4. Accounts receivable

(in thousands)

	2007	2006
Due from Municipal Affairs	$ 1,139	$ 399
Lease fees receivable	337	453
Accrued interest	240	301
Fuel sales receivable	296	238
Receivable from federal government (GST)	158	121
Taxes	33	41
Other	112	382
	$ 2,315	$ 1,935

NRSTA's accounts receivable above are net of a provision of $397,000 for taxes, $1,174,000 for leases, and $1,000 for other receivables that are considered doubtful, for a total provision of $1,572,000 (2006 – $1,477,000).

5. Unearned revenue

Unearned revenue of $1,580,000 (2006 – $1,493,000) represents Crown land leases collected by the Ministry of Environment from third parties and paid to NRSTA relating to future periods.

6. Advance payments

The NRSTA and Peter Ballantyne First Nations entered into an agreement to jointly fund the Sandy Bay water and sewer upgrading project. The Department of Indian and Northern Affairs Canada advanced $1.5 million to the NRSTA to fund the portion of the project expenses attributable to the Peter Ballantyne First Nations. It is anticipated that the advanced funds will be fully utilized in 2008.

7. Accounts payable

(in thousands)

	2007	2006
Municipal Affairs administration fee	$ –	$ 150
Other	183	98
	$ 183	$ 248

8. Accrued Landfill Decommissioning

The Saskatchewan Environmental Management and Protection Act sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Environmental laws require decommissioning care of solid waste landfill sites. Decommissioning and the post decommissioning requirements include the covering and landscaping of landfill, ongoing environmental monitoring, and maintenance.

At December 31, 2007, NRSTA has accrued an estimated amount of $237,000 (2006 – $229,000) for decommissioning and post decommissioning care for all 15 landfill sites in NSAD. The estimated accrual is based on the total estimated landfill capacity and the accumulated capacity used at December 31, 2007. Management estimates that the total cost to decommission landfill sites in NSAD will amount to $629,000 (2006 – $629,000) based on future cash flow discounted at three per cent.

The estimated remaining capacity of the 15 landfills in NSAD ranges from 0 to 47 years. On average these landfills have 1.5 hectares available for landfill use over the next 47 years.

9. Revenues collected for others

(in thousands)

	2007	2006
School taxes due to school division	$ 142	$ 134
Municipal taxes collected due to hamlets	6	2
	$ 148	$ 136

10. Tangible capital assets

Tangible capital and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities unless they are sold. Capital work in progress relates to water and sewer design expenses that are capitalized. These design costs are capitalized under work in progress until they are fully operational.

Tangible capital assets of $186,000 (2006 – $13,000) with a net book value of $10,000 (2006 – $2,000) were written off during the year as they no longer provide a service benefit.

(in thousands)

	2007							2006
	Buildings	Machinery and Equipment	Office Furniture and Equipment	Other	Water and Sewer	Capital Works in Progress	Total	Total
Opening cost	3,899	2,382	143	290	6,663	80	13,457	13,283
Additions	159	33	–	32	–	78	302	187
Disposals and write-downs	–	(195)	(3)	(4)	–	–	(202)	(13)
Closing cost of tangible capital assets	4,058	2,220	140	318	6,663	158	13,557	13,457
Opening accumulated amortization	3,252	1,850	123	210	3,025	–	8,460	7,946
Annual amortization	135	166	8	11	193	–	513	525
Disposals and write-downs	–	(183)	(3)	(4)	–	–	(190)	(11)
Closing accumulated amortization	3,387	1,833	128	217	3,218	–	8,783	8,460
Net book value of tangible capital assets	671	387	12	101	3,445	158	4,774	4,997

11. Budget

The NRSTA 2007 budget was approved by the Minister of Municipal Affairs.

12. Designated assets

Included in NSAD are northern settlements and recreational subdivisions. Revenues collected with respect to northern settlements and recreational subdivisions must be used for the benefit of the respective communities and are not available for general purposes. The accumulated surplus of $9,545,000 (2006 – $9,515,000) is not available for general purposes

Following is additional information on revenues, expenses and accumulated surplus of northern settlements and recreational subdivisions.

	(in thousands)			
	2007			2006
	Northern Settlements	Recreational Subdivisions	Total	Total
Revenues				
Transfers				
Water and sewer	$ 116	$ –	$ 116	$ 78
Northern revenue sharing	1,053	–	1,053	1,139
Northern capital	101	–	101	94
Other	52	–	52	47
Utility and fuel sales	1,343	–	1,343	881
Interest	190	23	213	185
Taxation	37	97	134	112
Investment in ABDLP	54	–	54	–
Lease fees and land sales	45	–	45	70
Other	23	2	25	28
	3,014	122	3,136	2,634
Expenses				
Fuel costs	1,312	–	1,312	884
Landfill decommissioning	7	1	8	5
Municipal services				
General government	127	11	138	127
Utilities operating costs	700	8	708	604
Recreation and cultural	292	11	303	335
Environmental	177	33	210	211
Transportation	332	39	371	375
Protective services	9	9	18	28
Public health and welfare	2	–	2	4
Bad debt expense	33	3	36	26
	2,991	115	3,106	2,599
Surplus for the year	23	7	30	35
Designated accumulated surplus, beginning of year	8,977	538	9,515	9,480
Designated accumulated surplus, end of year	$ 9,000	$ 545	$ 9,545	$ 9,515
Designated net financial assets, end of year	$ 4,353	$ 423	$ 4,776	$ 4,529
Designated non financial assets, end of year	$ 4,647	$ 122	$ 4,769	$ 4,986

The designated accumulated surplus at the end of the year includes the designated net financial assets and the net book value of the tangible capital assets of the northern settlements and recreational subdivisions.

13. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to NRSTA by virtue of common control by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	(in thousands)	
	2007	2006
Expenses		
Water and sewer transfers	$ 369	$ 406
General government	489	876
Accounts receivable		
Due from Municipal Affairs	1,139	399
Lease receivables	337	453
Accounts payable	–	150
Prepaid expenses	–	107

In addition, NRSTA pays provincial sales tax to Saskatchewan Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

Transfers from related parties during the year:

	(in thousands)	
	2007	2006
Ministry of Municipal Affairs	$ 12,861	$ 8,323
Ministry of Social Services	30	30
Saskatchewan Lotteries Trust Fund for Sport, Recreation and Culture	18	12
Grants in lieu from Saskatchewan ministries and agencies	45	42
	$ 12,954	$ 8,407

The Ministry of Environment is responsible for administering Crown land within NSAD. Therefore, Crown land is not reflected on the Statement of Financial Position. However, in accordance with *The Northern Crown Land Disposition Regulations* and the Act, NRSTA is entitled to receive all proceeds from Crown land sales and leases within the NSAD. The Ministry of Environment received $107,500 (2006 – $430,000) for administration of Crown land lease fees and Crown land sales, which is included in general government expenses. An administration charge of $50,000 (2006 – $200,000) was paid to the Ministry of Municipal Affairs to offset its expenses for administering NRSTA. Both administration fees were discontinued commencing April 1, 2007.

14. Contractual obligations

As at December 31, 2007, NRSTA has entered into contracts to fund northern water and sewer, capital grant and northern subdivision projects through 2008. These obligations total $3.9 million (2006 – $9 million).

15. Expenses by object

(in thousands)

	2007		2006
	Budget (Note 11)	Actual	Actual
Transfers	$ 15,586	$ 15,585	$ 11,786
Northern subdivision development	50	44	12
Wages and benefits	410	406	338
Administration	712	219	680
Maintenance, materials and supplies	934	1,457	1,052
Contractual services	737	579	718
Utilities	295	354	255
Amortization	515	513	525
Loss on disposal of tangible capital assets	–	12	1
Bad debt expense	50	123	309
Other expenses	112	119	117
	$ 19,401	$ 19,411	$ 15,793